Trade, investment and government-to-government projects

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The scale of the economic relationship

The growth of trade since 1990 has been rapid. Bilateral trade rose from US$8.154 billion in 1998 to US$10.821 billion in 2000.[1] By 2009 it had reached S$75.1 billion. China has been Singapore's largest merchandise trading partner since 2013 and accounted for 13.9 per cent of Singapore's total merchandise trade in 2023. Over the same period Singapore has been the largest foreign investor in China by investment flows, while China has been Singapore's largest investment destination since 2007.[2]

These figures need careful reading. A substantial part of the investment recorded as Singaporean consists of capital that is channelled through Singapore holding companies by investors from elsewhere, including multinational groups that use the city as a regional treasury centre and funds that pool capital from many countries. Singapore's position as China's largest foreign investor therefore reflects its role as a

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financial intermediary as much as the wealth of its own residents. The same is true in the opposite direction, since Chinese investment in Southeast Asia often passes through Singapore entities.

The free trade agreement and its upgrades

The legal framework of the economic relationship rests on the China-Singapore Free Trade Agreement, which entered into force on 1 January 2009. Negotiations to upgrade it were launched after the state visit of President Xi Jinping in 2015 and concluded in November 2018. The first Upgrade Protocol was signed in the same month during the official visit of Premier Li Keqiang.[3]

A Further Upgrade Protocol, signed in December 2023, entered into force on 31 December 2024. It made the agreement China's first free trade agreement with an Asian country in which commitments on services and investment follow the negative list approach, under which all sectors are open unless expressly excluded. Singapore investors are no longer subject to foreign equity caps in 22 sectors, among them construction, retail and wholesale trade, architecture and urban planning, technical testing and leasing.[4] For financial institutions, the protocol matters less through direct concessions than through the signal it sends. Singapore was the first Asian partner with which China used this treaty technique, which confirms the role of the city as a testing ground for Chinese opening.

Suzhou, Tianjin and Chongqing

The most distinctive feature of the relationship is the government-to-government project. The China-Singapore Suzhou Industrial Park was launched on 26 February 1994, when Vice Premier Li Lanqing and Senior Minister Lee Kuan Yew signed the agreement on its joint development. The park covers 278 square kilometres, of which 80 square kilometres form the China-Singapore cooperation area.[5] The idea was to transfer Singapore's “software”, its methods of planning, administration and investment promotion drawn from the Jurong industrial estate, to a Chinese city.

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The early years were difficult. Singapore state-linked companies held 65 per cent of the development company at the start, while the Suzhou authorities promoted a competing industrial zone of their own. In 1999 Singapore reduced its stake to 35 per cent so as to give the local government a direct interest in the park's success. The park made its first profit, of US$3.8 million, in the first ten months of 2001. By 2019 its economic output reached 274 billion renminbi.[6] The lesson, which Singapore applied to its later projects, was that a transfer of institutional knowledge works only when local interests are aligned with it.

The second project was the Sino-Singapore Tianjin Eco-City, whose framework agreement Prime Minister Lee Hsien Loong and Premier Wen Jiabao signed on 18 November 2007. It covers 30 square kilometres and was planned for 350,000 residents by 2020. Its population reached about 100,000 in 2019, which shows that eco-city planning advanced more slowly than industrial development.[7]

The third project, the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, was launched in 2015 and concentrates on finance, aviation, logistics and information technology.[8] Unlike Suzhou and Tianjin, it has no fixed site. It aims to link western China with Southeast Asia and with the capital markets of Singapore. Its most visible result is the New International Land-Sea Trade Corridor, which runs by rail from Chongqing to the ports of the Beibu Gulf in Guangxi, such as Qinzhou, and continues by sea to Singapore and beyond. By September 2019 the corridor was connected with 190 ports in 90 countries.[9]

Financial cooperation and the renminbi

The government projects became the vehicles for financial cooperation. The People's Bank of China designated the Singapore branch of the Industrial and Commercial Bank of China as renminbi clearing bank on 8 February 2013.[10] After MAS and the People's Bank of China had enhanced their bilateral currency swap agreement earlier that year, renminbi clearing functions were launched in Singapore in May 2013. At the Joint Council of 22 October 2013, China extended its RMB Qualified Foreign Institutional Investor programme to Singapore with a quota of 50

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billion renminbi. The two sides also agreed on direct trading between the renminbi and the Singapore dollar and on studies for cross-border renminbi flows with Suzhou and Tianjin.[11]

Two years later, on 9 November 2015, the quota was doubled to 100 billion renminbi. Chongqing received the same cross-border renminbi measures as Suzhou and Tianjin, so that Singapore banks could lend renminbi to Chongqing companies while those companies could issue renminbi bonds in Singapore and repatriate the proceeds. MAS and the China Securities Regulatory Commission agreed on a regular high-level dialogue and on exploring joint products, including products supporting the "One-Belt-One-Road" initiative.[12] These measures made Singapore one of the principal offshore renminbi centres outside Hong Kong, with a role that rests on its trade with China and on the presence of Chinese banks.

Notes

1. Wikipedia, "China–Singapore relations" (accessed November 2026): trade volume of US$8.154 billion in 1998, US$8.56 billion in 1999 and US$10.821 billion in 2000; SGD 75.1 billion in 2009. ↩
2. Rajah & Tann Singapore, "Commencement of China-Singapore FTA Further Upgrade Protocol w.e.f. 31 Dec 2024", 9 January 2025 (sg.rajahtannasia.com): China Singapore's largest merchandise trading partner since 2013, accounting for 13.9 per cent of total merchandise trade in 2023; Singapore China's largest foreign investor by investment flows since 2013; China Singapore's top investment destination since 2007. Ministry of Foreign Affairs of Singapore, country page "People's Republic of China" (accessed November 2026): China largest trading partner since 2013. ↩
3. Ministry of Foreign Affairs of Singapore, country page "People's Republic of China" (accessed November 2026): CSFTA in force on 1 January 2009; upgrade negotiations launched following President Xi's 2015 state visit and concluded in November 2018; Upgrade Protocol signed during Premier Li Keqiang's official visit in November 2018. ↩

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4. Rajah & Tann Singapore, “Commencement of China-Singapore FTA Further Upgrade Protocol”, 9 January 2025: Protocol signed in December 2023, in force on 31 December 2024; the CSFTA becomes “China's first FTA with an Asian country where commitments for services and investment are done through the negative list approach”; shorter negative list of industries closed to foreign investors; removal of foreign equity caps in 22 sectors including construction, retail and wholesale, architecture and urban planning, technical testing, and renting and leasing. ↩
5. Wikipedia, “Suzhou Industrial Park” (accessed November 2026): launched on 26 February 1994 with the signature of the agreement on joint development by Vice Premier Li Lanqing and Lee Kuan Yew; 278 km² in total, 80 km² cooperation area. ↩
6. Wikipedia, “Suzhou Industrial Park” (accessed November 2026): initial shareholding of 65 per cent Singaporean and 35 per cent Chinese state enterprises; Singapore reduced its stake to 35 per cent in 1999; first profit of US$3.8 million in the first ten months of 2001; GDP of 274 billion RMB and tax revenue of 37 billion RMB in 2019. ↩
7. Wikipedia, “Sino-Singapore Tianjin Eco-city” (accessed November 2026): framework agreement signed on 18 November 2007 by Lee Hsien Loong and Wen Jiabao; area of 30 km²; target of 350,000 residents by 2020; population of about 100,000 in April 2019 according to China Daily. ↩
8. China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity, launched during President Xi Jinping's state visit to Singapore in November 2015, with four priority sectors (financial services, aviation, transport and logistics, information and communications technology). ↩
9. Wikipedia, “New International Land-Sea Trade Corridor” (accessed November 2026): rail link from Chongqing to Beibu Gulf ports such as Qinzhou and onward shipping; Singapore is a co-partner under the government-to-government framework of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity; according to Xinhua, connected to 190 ports in 90 countries as of September 2019. ↩

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10. Wikipedia, “Internationalization of the renminbi” (accessed November 2026): “Singapore followed with the designation of ICBC as a clearing bank in 2013”; table of clearing bank appointments: ICBC Singapore branch, 8 February 2013. ↩

11. Monetary Authority of Singapore, “New Initiatives to Strengthen China-Singapore Financial Cooperation”, media release, 22 October 2013: RQFII programme extended to Singapore with an aggregate quota of RMB 50 billion; direct trading between the Chinese yuan and the Singapore dollar; the enhanced bilateral swap agreement “paved the way for the launch of RMB clearing functions in Singapore in May this year”; new measures studied for cross-border RMB flows with Suzhou Industrial Park and Tianjin Eco-City. ↩

12. Monetary Authority of Singapore, “Cross-border RMB Flows and Capital Market Connectivity between China and Singapore to Strengthen”, media release, 9 November 2015: Chongqing extended the measures applied to Suzhou and Tianjin; Singapore banks may lend RMB to Chongqing companies, which may issue RMB bonds in Singapore and “fully repatriate the proceeds”; RQFII quota doubled from RMB 50 billion to RMB 100 billion; swap arrangement signed in March 2013 to be renewed; MAS–CSRC dialogue; joint products including support for the One-Belt-One-Road initiative. ↩

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